

## In case you missed it: Hoping for stability

The January ECB minutes told us the dovish central bank is on high alert, but still needs more time to make up its mind. But for next week, we're keeping a close eye out for the Cooper-Boles amendment in yet another Brexit vote, and think a trade deal of some sorts between the US and China is the likeliest option, but what does a 'stable' yuan really mean?

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## ECB: To twitch or not to twitch?

The minutes of the January meeting illustrate the European Central Bank's increasing concern. However, today's encouraging confidence indicators...



Source: ECB

The minutes of the January ECB meeting show that the bank has become more concerned about the economic outlook but needs additional time, like everyone else, to assess if the downswing is temporary or something more permanent.

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*With today's (temporary) relief from sentiment indicators, the situation in the eurozone does not look severe enough (yet) for the ECB to announce any quick policy changes at the March meeting*

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Regarding the most pressing issues for the ECB, i.e. the macro assessment, new Targeted Long Term Refinancing Operations (TLTRO) and the future path of monetary policy, the minutes revealed some interesting details:

- The ECB is struggling to see if the current downswing is transitory or something a bit more

permanent and will wait until the March meeting when the new ECB staff projections will be available, hoping for more insights.

- Regarding the option of new TLTROs, the ECB felt that 'some consideration should be given to the outlook for liquidity conditions in the banking sector, as the redemptions of outstanding TLTROs were approaching, which might give rise to "cliff effects"'. The sentence 'While any decisions in this respect shouldn't be taken too hastily, the technical analyses required to prepare policy options for future liquidity operations needed to proceed swiftly' shows that the process to come up with some options has started.

## Moving from January to March

As the January meeting was only an intermediate meeting between two staff projections, all eyes are now on the March meeting, in two weeks.

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*The eurozone still wobbles between solid domestic demand and increased external risks, and it remains unclear, in which direction the pendulum will eventually swing*

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Obviously, a lot has happened since the January meeting and today. The external risks have become even more uncertain, just think of Brexit or possible US tariffs on EU products, and hard data has been disappointing. The latest comments by senior ECB officials like Peter Praet, François Villeroy and Benoît Coeuré suggest the ECB has started testing the waters for some more monetary accommodation. However, with some relief from the latest confidence indicators, any changes to the ECB's current policy stance, be it on action or words, have become less urgent.

Even though the next batch of ECB staff projections will probably bring some downward revisions to growth and inflation forecasts, these revisions will not be substantial enough to justify a change in the current stance. The eurozone still wobbles between solid domestic demand and increased external risks, and it remains unclear, in which direction the pendulum will eventually swing.

## What could the ECB do... if it really wanted to

As the urgency for hasty action has decreased slightly and the window for further policy normalisation appears to be closing, the ECB has hardly any option other than to keep its cards close to its chest.

For the time being, this means the ECB's main focus will be on avoiding any unwarranted tightening of monetary policy rather than on more easing or normalisation. In this regard, the ECB has two main instruments at its disposal: in a broader sense liquidity support for banks and the forward guidance on rates.

- With regards to liquidity support, we think that there are more options than just another TLTRO - think of a deposit rate hike, LTROs, higher volumes on the interest rate free current account facility, new facilities for banks to park excess liquidity or a combination of two or more of these options. The big challenge for the ECB will be to balance the pros and cons of different options. For example, while another TLTRO would bring more relief to Spanish and Italian banks, a deposit rate hike would probably be welcomed by banks in core eurozone

- countries.
- Forward guidance on rates is an easier instrument to adjust. With increased economic uncertainty, changing forward guidance to “interest rates to remain at their current levels at least until the end of the year” is a no-brainer. Also, a change in forward guidance could be used to sell a deposit rate hike as a pure technical correction by postponing a first policy rate hike beyond the timing of a deposit rate hike. Lastly, more clarity on the length of the reinvestments, i.e. an extension, could also be applied as a dovish instrument but rather in a situation of unwarranted increases at the long end of the yield curve.

## The real question: To twitch or not to twitch?

With today's (temporary) relief from sentiment indicators, the situation in the eurozone does not look severe enough (yet) for the ECB to announce any quick policy changes at the March meeting.

Instead, we expect the ECB to announce that the Governing Council asked the relevant committees to look into options on how to deal with liquidity bottlenecks and bank profitability and present some action at the April meeting.

Even though recent comments from senior ECB officials gave rise to speculation about some changes at the March meeting, we think that the ECB will remain on high alert but not twitch just yet.

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## Stable Yuan Memorandum: More about shutting the door on depreciation

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Source: Shutterstock

### Defining a stable yuan

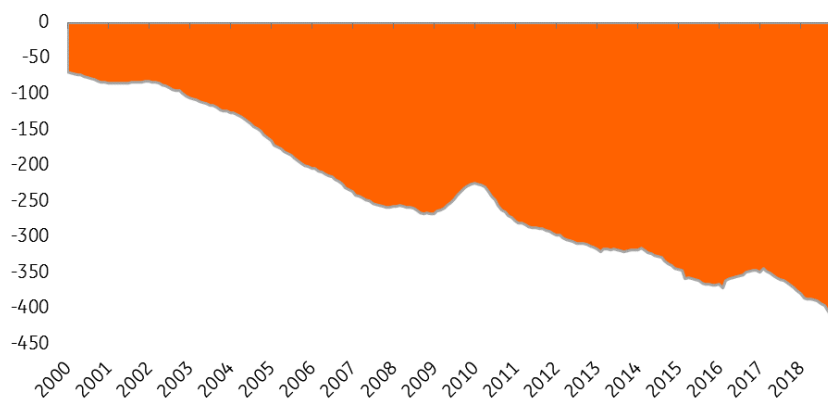
Reports emerging over recent days suggest that the US and China will somehow try to incorporate a soft commitment to stability in the renminbi into a Memorandum of Understanding (MoU) on trade relations. This MoU looks to be part of the preparatory work before a meeting between Presidents Trump and Xi in March in an attempt to diffuse the trade war.

We imagine any US-China currency pact would be short on detail and would loosely refer to the need to keep the renminbi stable, and that both sides would avoid competitive devaluations (the latter already a part of existing G20 policy).

We doubt there would be any detail on what constitutes a stable yuan, however. For example, we doubt the People's Bank of China would be backed into a corner by committing to keep the trade-weighted CFETS Renminbi index stable. And the IMF's annual work on renminbi fair value, using its External Balance Assessment model, looks too opaque to be highlighted. Actually that model, last produced in summer 2018, suggested the renminbi in real terms was anywhere between 13% undervalued and 7% overvalued.

## Washington wants to fix the goods deficit with China

US goods deficit with China ( 12m rolling sum, USDbn)



Source: Macrobond, ING

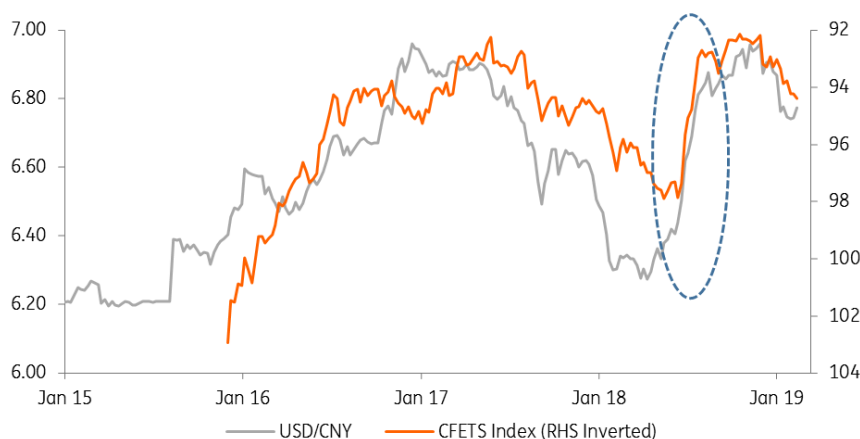
## What do Beijing and Washington really want?

For the PBOC, it would like to have a currency policy that looks like a floating exchange rate. The central bank is trying to fulfil this ambition by allowing the USD/CNY to follow the dollar index in general.

For the US Treasury, we suspect a stable yuan means a stable USD/CNY – or at least a USD/CNY bilateral rate that doesn't trade substantially higher. Certainly, the core objective of Washington is to shrink the US\$400bn+ bilateral goods deficit with China, suggesting the US Treasury will have more interest in the bilateral rate than any CNY trade-weighted index.

While acknowledging the appreciation of the real trade-weighted renminbi over the last decade, the [latest US Treasury semi-annual FX report highlighted](#) that on a bilateral basis the renminbi had fallen back to a level last seen over a decade ago. Here, the US Treasury probably suspects that the 8% rally in USD/CNY last summer was not an entirely market-led move. In fact the CFETS Index (the renminbi versus a basket of 24 currencies) fell nearly 6% during this period, confirming independent CNY weakness here.

## Washington doesn't want a repeat of last summer's CNY sell-off



Source: ING, Bloomberg

## The unwritten understanding

We can't know for sure, but one could argue that the unwritten understanding of any agreement in the MoU could be for the PBOC to keep USD/CNY south of 7.00, such that China would be prevented from devaluing its way out of a sharp narrowing in its trade balance. It is also not in China's interest to sharply devalue the yuan, which could trigger a new round of capital outflows. Certainly we saw China's resistance to a weaker yuan last year, where authorities re-introduced both the counter-cyclical factor (greater PBOC control in the daily fixings) and measures to make it more expensive to sell the CNY forward.

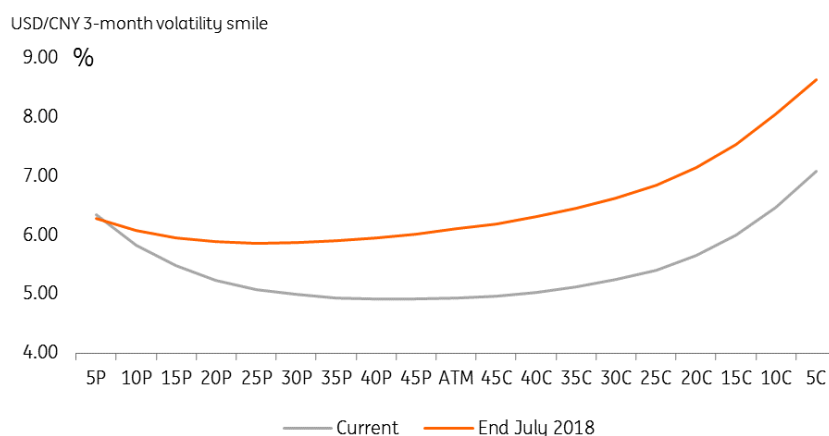
On the other hand, one could argue that yuan stability means just that - yuan stability. That could be interpreted as the USD/CNY just being left to track the DXY, which it seems is what the PBoC is trying to do currently. Fortunately, our views on DXY (topping later this year) would be supportive of such a strategy, such that USD/CNY should turn gently lower. However, we very much doubt - should the DXY surge for whatever reason - that Washington would be happy to see USD/CNY trading substantially above 7.00, even though the CNY basket was stable. It's just too difficult a message to get across to US voters - that it's a dollar move not a CNY move.

## Market implications

Any agreement on the need to keep the renminbi stable could reduce the tail risk of a competitive devaluation in the renminbi. Again, Washington is more interested in its trade deficit with China (and the USD/CNY bilateral rate), than it is about an IMF-style need for a clean float in the renminbi. The FX options market is well on the way to pricing lower tail risk of a CNY devaluation, where the CNY smile curve now shows much lower implied volatility levels for low delta USD calls/CNY puts (see chart below).

Stability in USD/CNY and lower levels of volatility should be positive for Asian FX. Were the USD/CNY stability story to develop, CNY realised volatility could actually drop back (e.g. 3m USD/CNY realised volatility to 3% from 4% currently) helping Asian FX volatility lower across the board. Such a trend could be beneficial for risk-adjusted carry trades in Asia. This environment could see the Indonesian rupiah outperform its steep forward curve (where implied 3m yields through the Non Deliverable Forward are still a high 7.3%).

## CNY tail risk is being downgraded in the FX options market



Source: Bloomberg



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Snap | 22 February 2019

## Germany: Still blocked by cars

The GDP components provide interesting insights: the German economy is in a better shape than its current reputation



Source: Shutterstock

Headlines such as “Germany at the brink of a recession” remain the same but the just released details of 4Q GDP growth show that not all is doom and gloom in the Eurozone’s largest economy. According to the second estimate, the economy came to a halt in the fourth quarter. On the year, GDP growth was still up by 0.9% (not-seasonally adjusted). More interestingly, the growth components actually show an economy that is running on almost all cylinders. Private consumption grew by 0.2% QoQ, government consumption was up by 1.6% QoQ, investments accelerated by 0.9% QoQ and despite all trade war fears even net exports remained flat. With none of the traditional growth components being negative, the question arises why the economy is still on the brink of a recession? The answer is clear: cars are still blocking the road to a rebound.

Normally, inventories are a neglected residual in national accounts. Since the second quarter of

2018, however, they are the best illustration for the German economy's car problem. In the second and third quarter, the inventory build up contributed a total of 1.1 percentage points to QoQ GDP growth. A reflection of strong production activity in the automotive sector for ...parking lots as many produced cars could not be delivered due to missed deadlines on new emission standards. Now in the fourth quarter, inventory reductions subtracted 0.6 percentage points from QoQ GDP growth, suggesting that many German cars were finally delivered to clients.

What does all of this mean? In our view, there are two main takeaways from this morning's German GDP data: (1) the temporary problems in the car industry mask solid fundamentals across the entire economy; and (2) the sharp inventory reduction suggests that it will still take some time but eventually the car-related problems should disappear. It is often said that many Germans can get sidetracked by fast cars. This time around, cars have sidetracked the entire economy. However, in a couple of months, the German economy should be able again to show its true colors.

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## SEK: Struggling to find the silver lining

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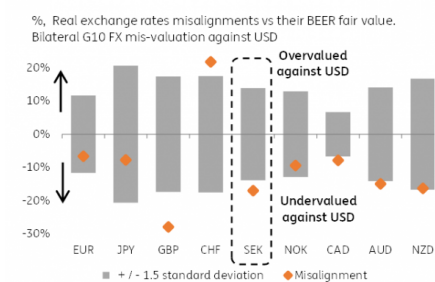


Source: Shutterstock

### **Undervaluation on its own is not a strong enough reason to buy**

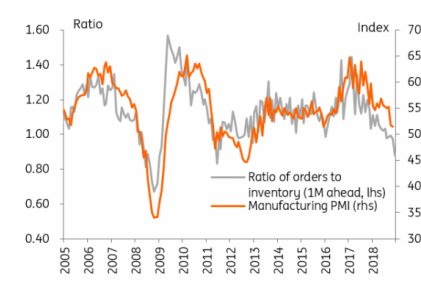
Despite the meaningful decline this year in the Swedish krona and the currency's medium-term undervaluation (arguably the only SEK positive factor at this point, with SEK currently being the second cheapest G10 currency – we see limited scope for a SEK recovery. If anything, we continue to see downside risks to SEK in coming months, largely due to the domestic economic outlook and krona's poor relative attributes vs its G10 peers (many of which also remain meaningfully undervalued - as per Fig 1).

Fig 1 SEK is the second cheapest currency in G10 space



Source: ING

Fig 2 Swedish PMI surveys suggests contraction



Source: ING, Bloomberg

## Soft domestic data to translate into more SEK weakness

We expect Swedish economic data to continue deteriorating. PMI surveys have fallen as global economic momentum slows down, and is likely to move into contractionary territory in the coming months (Fig 2). Sweden depends heavily on exports, and with both Europe and China now clearly weakening, the outlook looks considerably worse.

On the domestic side, the housing market will continue to struggle, and household consumption will remain anaemic. While prices stabilised in 2018, construction output is falling sharply – new starts were down 16% compared to 2017, and are likely to fall further in the first half of 2019. House prices could easily start sliding again, and even with support from the modest tax cuts in the 2019 budget, it is unlikely consumption spending will pick up materially. Also, real wage growth remains weak (adjusted for inflation, wages grew by 0.5% in 2018), so the outlook for the housing market looks quite uncertain.

## Weak krona failing to deliver expected inflationary pressures

With the disappointing inflation readings, core CPI, in particular, this suggests the Riksbank will struggle to deliver the next planned rate hike in the second half of 2019, even if the krona weakens further.

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*The basic inconsistency in the Riksbank's forecast remains that it expects core inflation to rise to 2% even though it thinks the krona will appreciate gradually*

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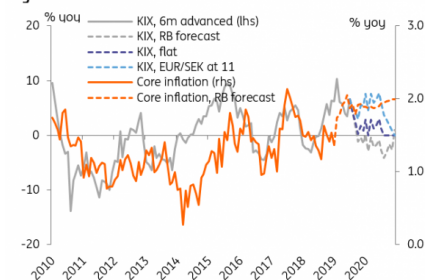
In Fig 3, we look at the impact of the SEK weakness on CPI. A simple mapping suggests that core inflation is highly dependent on currency movements, though last year's SEK depreciation hasn't yet shown in the core inflation data as the Riksbank expected. And while core inflation may pick up a bit over the coming months, we think it is likely to fall back in the second half of the year and will continue to disappoint relative to the central bank's forecast.

Indeed, the basic inconsistency in the Riksbank's forecast remains that it expects core inflation to rise to 2% even as it thinks the krona will appreciate gradually. Experience suggests this is unlikely given the absence of domestic price pressure (i.e. higher wage growth). So at least until 2020, when the new wage bargaining round could potentially result in stronger wage pressure, the

Riksbank's forecast will likely remain too optimistic.

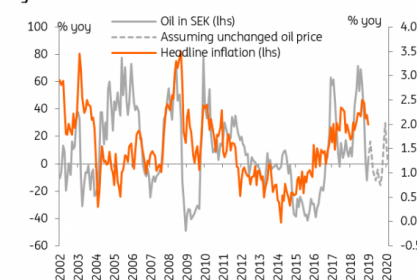
We think that until then, the only way to get core inflation to reach the target is through further SEK depreciation. And our simple mapping suggests that even if EUR/SEK were to rise to 11.00 (an additional 4% appreciation), this would only push core inflation to around the 2% level. Also, the fall in oil prices in the last quarter of 2019 means that headline inflation will also fall back in the first half of 2020 (Fig. 4).

Fig 3 Core inflation vs KIX



Source: ING, Bloomberg

Fig 4 Headline inflation vs oil



Source: ING, Bloomberg

## It's difficult for Riksbank to lean against SEK strength

This means that we see limited scope for another Riksbank hike.

Even in December, the case for raising rates was marginal at best, and with both domestic and global economic data deteriorating since then, the potential for a defensive hike to support the currency isn't strong.

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*Hiking rates in a low inflation/weak growth environment would be a very questionable policy choice*

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So although the Riksbank reaction function arguably shifted a bit over the past quarters (see [Has the Riksbank finally had enough of SEK weakness?](#)), and the central bank is no longer looking to generate SEK weakness actively (instead it seems to be preventing SEK from weakening further), in the current domestic and external environment the Riksbank may struggle to credibly lean against SEK weakness.

In short, hiking in a low inflation/weak growth environment would be a very questionable policy choice, and we think that ultimately the Riksbank policymakers would rather accept further krona weakness than raise rates in a slowing economy, which would risk a return to the near deflationary environment seen in 2014-2016.

While we don't rule out a Riksbank hike in the fourth quarter, this would in our view be a response to a more material SEK weakness rather than a response to domestic data. This suggests that SEK needs to weaken first before the Riksbank delivers another defensive hike which would then help to stabilise the currency. Hence, frontloaded SEK weakness in the coming months is not inconsistent with a potential Riksbank hike - a case which has nonetheless diminished materially.

## External environment does not favor low yielding SEK

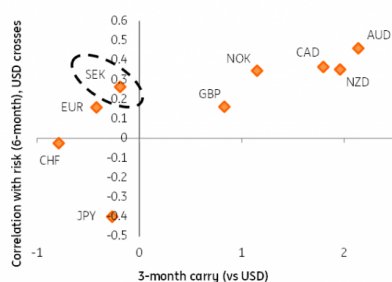
The external environment isn't in favour of the krona either. In the late stage of the global economic cycle, which is currently characterised by the ongoing threat of trade wars and declining global trade, the currency of a small open economy levered to global trade is unlikely to do well, particularly if it offers a negative yield.

*The currency of a small open economy levered to global trade is unlikely to do well, particularly if it offers a negative yield*

The negative yield in what is perceived as a higher beta, activity currency is indeed a large headwind for SEK and makes the currency materially less attractive vs its G10 peers. As you can see in the figure below, the krona is in the undesirable quadrant vs other pro-cyclical, activity G10 currencies. That's why in our view, the SEK has failed to benefit during the recovery of risk assets in January. Unfortunately for the currency, SEK didn't reap the benefits during the risk-on periods and is exposed during the risk-off periods - attributes that make a case for going long SEK rather weak.

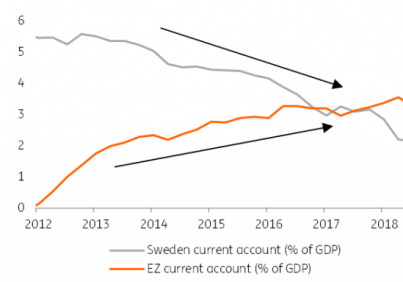
Moreover, with EUR/USD under pressure and fairly limited prospects for any near-term EUR/USD appreciation, SEK is not attractive even from the USD-based investor's point of view.

Fig 5 SEK in the undesirable quadrant



Source: ING, Bloomberg

Fig 6 Swedish current account surplus deteriorating

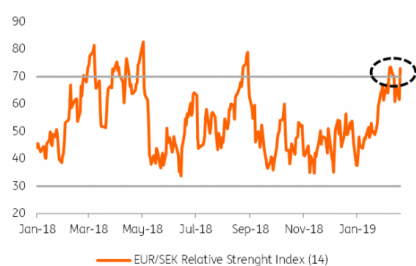


Source: ING, Bloomberg

## Current account surplus continues deteriorating

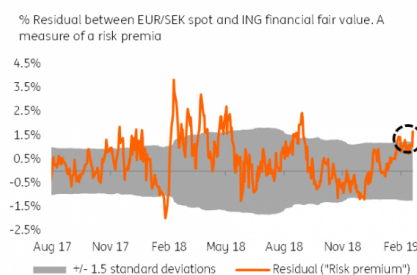
Moreover, as we flagged earlier - [SEK: Swimming naked?](#), the Swedish current account surplus continues to decline, and the trade surplus virtually disappeared. This yet again reduces the attractiveness of the low yielding SEK as support from the flow factor has been vanishing. As Fig six shows, for the first time in decades, the eurozone and thus the euro now benefits from higher current account surplus than the krona.

Fig 7 SEK looks oversold on short term basis...



Source: ING

Fig 8 ...with short-term fair value looking modestly stretched



Source: ING

## Forecast revision: More SEK weakness in store

With the case for the Riksbank to facilitate SEK strength sharply diminishing and the Riksbank rather facing a puzzle of how to prevent SEK weakness in the low growth and low domestic inflation environment, we look for more SEK weakness to come in the months ahead. The soft domestic data and mildly dovish Riksbank April meeting should keep SEK under pressure.

*We revise our EUR/SEK forecast higher and look for EUR/SEK to reach 10.75 in three months – and we're also upgrading our 12-month forecast*

After reaching our 1-month target of EUR/SEK 10.60 today (see [FX Talking: Clear and present danger](#)), we revise our EUR/SEK forecast higher and look for EUR/SEK to reach 10.75 in 3 months – that is a new post-financial crisis high. We also upgrade our 12-month forecast to 10.30, though our conviction is much higher for the three months view. We remain firmly bearish on the currency and continue to struggle to find good reasons (bar valuation) to own the krona.

We recognise that the currency currently looks oversold on a short term basis, be it based on the relative strength index or our short-term financial fair value model (as per Figures 7 and 8). Hence, some EUR/SEK stabilisation over the near term is likely before renewed appreciation in the second quarter this year.

### ING EUR/SEK forecasts

	1-month	3-month	6-month	12-month
New	10.60	10.75	10.40	10.30
Previous	10.60	10.50	10.30	10.20

Source: ING



# France: Is there light at the end of the tunnel?

The last business confidence surveys show that the wave of pessimism which has hit the country since November is coming to an end. However, confidence...



Source: Shutterstock

Paris, France. Demonstrators during a protest against rising cost of fuel and oil prices by people wearing yellow vests.

## Taking back control, for now

Is this the end of the dramatic surge in French pessimism? As the “yellow vest” movement celebrated its three-month birthday last week, with a few thousand demonstrators across France, it was clear the national debate launched by the French Government allowed President Emmanuel Macron to take back control, at least temporarily. Hundreds of local public debates are being organised across France until mid-March when it is expected that the government will try to get something out of the many proposals being made. In the meantime, the pressure on President Macron has been alleviated, allowing him to regain some ground in opinion polls (a February Ifop poll showed a 28% approval rating while support of the “yellow vests” reached its lowest level since the beginning of the yellow wave, at 50%).

## Some stabilisation in business confidence

In manufacturing, the monthly INSEE survey showed no change, at 102.8, in February, but one should note that this is mainly due to an improvement in the general outlook and recent production trends. Order books remained lower than at the end of 2018 and, for the first time since September, it seems to have taken a toll on the individual production outlook for the next three months. This could therefore negatively impact industrial production in 1Q19.

In the service sector, confidence improved, leading to a slight rebound in overall business confidence in February, the first since November last year. PMI indicators were also out to confirm this story. In the service sector, the index rebounded from 47.8 to 49.8 while the composite PMI indicator was at 49.9, indicating stable activity. However, they bode ill for employment growth: at these levels, hiring intentions could soon show signs of weakening.

## Economy in wait-and-see mode

If the wind of pessimism has stopped blowing, the dust still has to settle. At current levels, activity indicators are only pointing to a limited rebound in 1Q19. If order books continue to deteriorate, the currently expected 0.4% quarter-on-quarter GDP rebound could disappoint. However, with job creation still positive and with inflation falling (the final figure for January was 1.2%, down from 2.3% last summer), real wage growth could accelerate and lead to a rebound in consumer demand. This could compensate for a drop in foreign demand due to Brexit and trade war uncertainties. Given the weaker European economic context that is expected in 2019 and 2020, we see no reason to change our main forecast, that GDP growth will return to potential, or 1.3% YoY, in both years.

## Russia: State of the Nation - more about the state

The budget will remain socially focused, local business climate still needs to find ways to overcome administrative challenges and prospects of an easing...



Source: shutterstock

The primary focus of this year's presidential address was social policy. According to media reports, almost 48% of the President's speech was about issues related to social benefits, combating poverty, indexation of pensions, healthcare, education and budget sector salaries, which is four times more than last year. We think this change of focus is an attempt to partially compensate for the impact of the unpopular decisions to hike the retirement age and VAT rate, as well as to address the negative demographic trends.

The list of announced measures is long and includes targeted benefits for families with several children, higher disability benefits, subsidies to mortgages, higher payments for regional doctors and teachers, higher pension indexations. The additional cost of these initiatives to the budget appears modest, as the first deputy prime minister and finance minister, Anton Siluanov estimated the presidential package at RUB 100-120 billion per year, which is 0.5% of the annual federal expenditures and 0.3% of the annual consolidated budget spending, which suggests, budget stability remains a priority. Given that the budget execution keeps bringing positive surprises on the non-oil revenue side in 2018 and early 2019, the announced extra social spending is unlikely to

become a burden.

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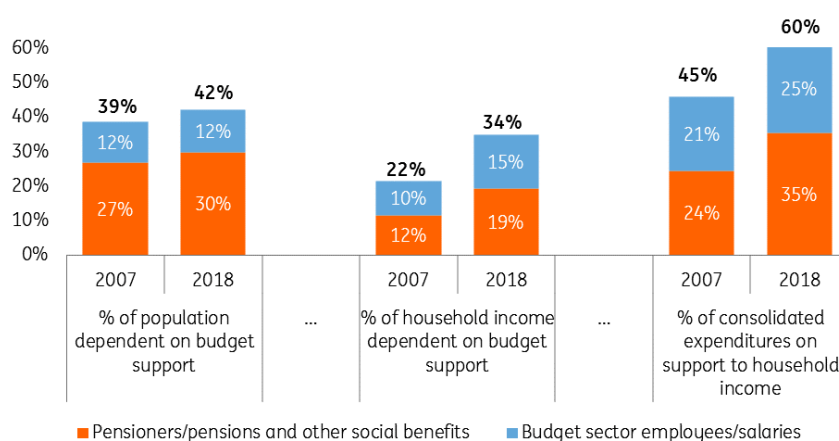
*The current rhetoric suggests households high dependence on state injections is here to stay and might even increase if they require additional support*

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At the same time, the presidential address confirmed, that the direct support of the household income remains the primary reaction to the deteriorating consumption trend. According to our estimates, thanks to the indexation of state salaries in healthcare, education, military and state administration, as well as growth in pensions and other social benefits, the share of household income directly dependent on budget expenditures increased from 22% to 34% over the last 11 years.

Conversely, the share of consolidated budget expenditures channelled to support household income went up from 45% to 60%. The current rhetoric suggests households high dependence on state injections is here to stay and might even increase if they require additional support.

## Social focus of the Russian budget policy



Source: State statistics service, Finance Ministry, ING

The challenges to business climate the investment community has been focused on in recent days due to the prosecution of top managers of an investment fund, accounted for only 7% of the President's speech, and included proposals to create a digital platform that would allow businesses to publicly report cases of administrative pressure or unfair prosecution. President Putin also reiterated his long-lasting push towards de-criminalisation of the legal framework for economic activities.

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*Two key questions are if the government manages to stay within the spending guidelines and if state investments result in broader-based investment growth*

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Another topic related to the business environment was 'state investments' into infrastructure, which accounted for the remainder of the 10% of the speech, confirming the priority of large state-sponsored projects. According to our estimates based on previously announced parameters of the national projects, the government will spend RUB 14 trillion in the next six years (1.0-1.5% of GDP per year) on infrastructural projects in transportation, IT and urban development. The projects have already been budgeted into the spending program and don't represent a threat to budget stability.

However, the two key questions are if the government manages to stay within the spending guidelines and if state investments result in broader-based investment growth, as the infrastructure related to football championship, Crimea, and oil & gas sector failed to do so in 2018.

Lastly, according to media reports, foreign policy and military were given far less attention - down from 36% to 14% this year. This change of tone seems to correlate with the normalisation of Russia's military spending from the post-Soviet high of 4.4% GDP in 2016 to 2.7% GDP in 2018, which is below the 12-year average. At the same time, it remains unclear if the tone and content of the President's address provide any grounds for easing foreign policy tensions anytime soon.

Given the upcoming conclusion of the Robert Mueller investigation next week and the re-introduction of DASKA act, envisioning sanctions against the new state debt and banks, foreign policy uncertainties surrounding Russian assets are likely to persist at least in the near future.

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# New Silk Railroad: The golden middle way

China is investing billions of dollars in its Belt & Road initiative and that's creating new options for rail transport between China and western...



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## Earning in retirement: The new norm?

Can you afford to retire? Will you have to carry on working until you 'drop'? The results of the latest ING International Survey suggest it's...



'Don't touch my pension' reads the placard at a pensioners' protest in Paris, 2018

### Saving woes stretch retirement outlook

People in Europe, the USA and Australia could be sleepwalking into long-term saving and spending problems. That's the message from the latest ING International Survey which indicates that many of us are really worried about retirement, not least because we're having trouble making ends meet right now and finding extra cash to put aside for later is difficult for many.

[Download the full IIS report here](#)

Planning for retirement is no longer , saving now to live later. Our expectations of continuing to earn in retirement point to a new view of life after full-time work. We tend to focus on the present meaning that planning for the future can take a backseat, particularly for something as far in the distance as retirement. Future needs are less salient than others. But that is not the whole story. Many , don't earn enough to save. Here is where we stand today and how we might clarify retirement challenges by tapping into our sometimes quirky relationship with money.

### Future obstacles

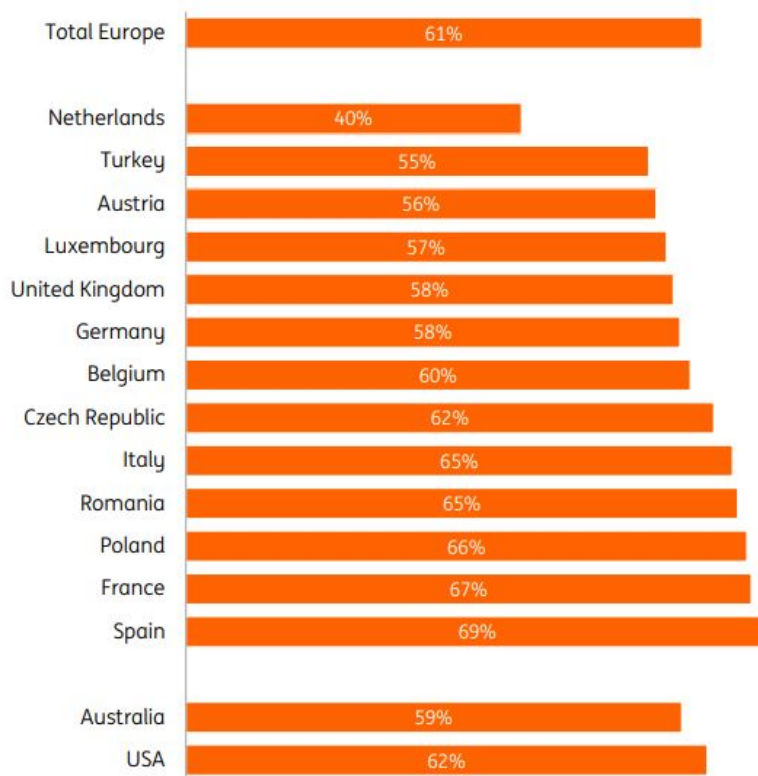
Many people say that they worry about having enough money in retirement. In fact, two in every three people agree with this statement. Retirement can be a challenging concept to plan for.

For the young, retirement can feel like an incredibly long way off, making prioritising and planning less of a focus. Yet by the time we get to retirement, it's often too late to make any big changes that will drastically improve our weekly budget. And because , isn't necessarily an immediate issue, it can be forgotten in the short term. There isn't an obvious time to sit down and do the sums on retirement.

## Worrying about money

### "I worry about whether I will have enough money in retirement."

Shares of the not yet retired who reply "agree" or "strongly agree". Other possible answers were "neither agree nor disagree", "disagree", "strongly disagree" or "I don't know".



Sample size: 11,948

## My retirement will be.....

But just 26 percent of those in Europe who aren't retired, expect to have the same standard of living post full-time work. Even though 47 percent of us don't know how much goes into our retirement savings each year and 36 percent don't contribute in addition to what's put aside by employers or the state.

Because people feel uncertain about their retirement and there is a general feeling of 'not having enough money', many assume they'll need to keep earning. More than half of these expect to do this through working in the gig economy or temporary positions.

Worry seeps into plans for continuing to earn in retirement but is not necessarily enough to



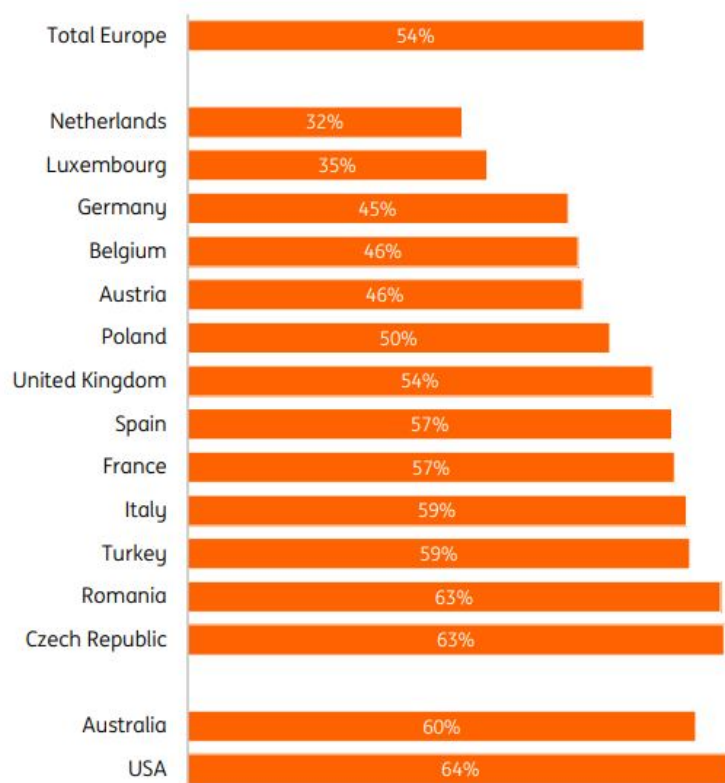
convince us to sit down to calculate how much extra we could be putting away into retirement each week. Retirement can be considered a ‘future problem’ , putting money away is a loss now.

People also have very wide-ranging predictions for how much they will need to live in retirement. In our European sample of those aged 25-34 years, 18 percent predicted they would need between 100 and 500 thousand euros if they never had to work again, while 19 percent predicted they would need between 1 million and 3 million euros. A quarter thought they would need more than this to never need to work. A natural aversion to calculating and a preference for round numbers means that if asked, many will pick a number that sounds reasonable to them.

## Keep on working?

**“I expect I'll need to keep earning some money in retirement.”**

Shares of non-retirees who reply “strongly agree” or “agree”. Other possible answers include “neither agree nor disagree”, “disagree”, “strongly disagree” or “I don't know”.



Sample size: 11,948

## Managing what we have

Taking the hit now to put away for later feels like a loss. If we don't feel we have to, it can be easy to question why we should do it right now. But it's not just loss aversion or challenges planning for the future at play here. Many don't have the option to put more aside for retirement.

Of the quarter of us across Europe who have no savings, 66 percent say that they don't earn enough to save. Half of us also say we sometimes run out of money at the end of the pay

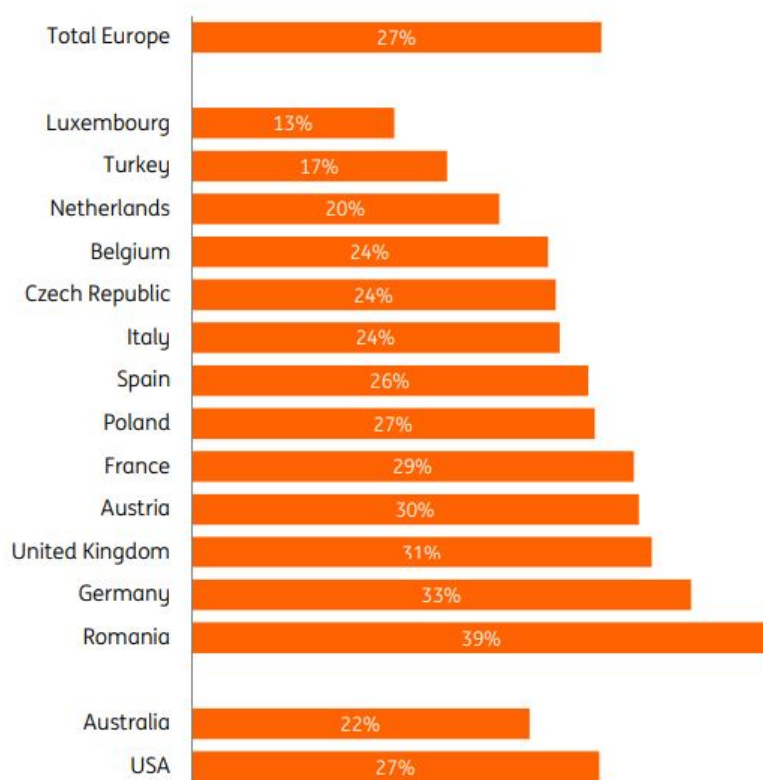
period. And while most of us can reduce spending in order to manage until the next pay comes in, three in ten say that they turn to credit cards and one in five borrow money from friends or family. While credit card debt comes with the risk of interest charges eating further into our limited saving capacity, introducing money into relationships also comes with risks. Strained relationships add to the stress of running out of money before the next pay cycle.

Saving and investing are sensitive subjects, particularly in relation to the relatively overwhelming topic of preparing for retirement. And this is not helped by the fact that we often feel uncomfortable talking about our finances. Because of this we tend to shy away from asking questions that could provide useful advice in navigating financial challenges. It would be an important step forward to open up these conversations in a way that responds to our natural disposition to avoid this potentially prickly topic. This can help bring the future into the present and integrate retirement saving into every-day thinking.

## More than a quarter of Europeans have no savings

### Does your household have any savings?

Shares who reply "no". Sample excludes the share who reply "prefer not to answer" to the question.



Sample size: 14,009

## Can technology help us save for the long-term?

Another way we can integrate future-focused planning into the more manageable context of day-

to-day is the myriad of personal finance apps that are entering the market. What our results suggest, however, is that Fintech is not having a large impact on personal investing which can support longer-term saving. Instead, most mobile bankers are using apps for spending and transferring money.

Planning in advance, such as for retirement, comes with unique challenges. While our financial position is influenced by multiple factors outside of our control, such as low wages or unexpected expenses, our habits and behaviours directly contribute to our long-term financial wellbeing. It will pay to know the basics of what your retirement years might look like, even if you don't feel you can save any more right now. Knowledge is a powerful thing.

**Read the entire ING international Survey report [here](#)**

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